LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC
Certified Public Accountants
1121 Adams Avenue - P.O. Box 1024
La Grande, Oregon 97850
541-963-4191 • Fax 541-963-9434

JUN 05 2017
BY:

May 25, 2017

Board of Directors
City of Elgin, Oregon
P.O. Box 128
Elgin, OR 97827

We are pleased to confirm our understanding of the services we are to provide City of Elgin, Oregon for the year ended June 30, 2017. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of City of Elgin, Oregon as of and for the year ended June 30, 2017. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement City of Elgin, Oregon's basic financial statements. The modified cash basis of accounting does not require these schedules and disclosures. Such information, although not a part of the basic financial statements, will be presented as other information (OI). Our responsibility for other information included in documents containing the entity's audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether such other information contained in these documents is properly stated. We will apply certain limited procedures to City of Elgin, Oregon's OI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist reading the other information in order to identify material inconsistencies, if any, with the audited financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following OI will be subjected to certain limited procedures, but will not be audited:

- Management's Discussion and Analysis.
- Introductory Section

We have also been engaged to report on supplementary information other than OI that accompanies City of Elgin, Oregon's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

- Budgetary Comparison Schedules
- Combining Statements
- Other Financial Schedules Required by Oregon Minimum Standards

Audit Objective

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with the modified cash basis of accounting and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing

standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of City of Elgin, Oregon's financial statements. Our report will be addressed to governing board of City of Elgin, Oregon. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of City of Elgin, Oregon's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Other Services

We will also prepare the financial statements of City of Elgin, Oregon in conformity with the modified cash basis of accounting based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services

previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for designing, implementing, and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with the modified cash basis of accounting.

You are responsible for including all informative disclosures that are appropriate for the modified cash basis of accounting. Those disclosures will include (a) a description of the modified cash basis of accounting, including a summary of significant accounting policies, and how the modified cash basis of accounting differs from GAAP; (b) informative disclosures similar to those required by GAAP; and (c) additional disclosures beyond those specifically required that may be necessary for the financial statements to achieve fair presentation.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with the modified cash basis of accounting. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with the modified cash basis of accounting; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with the modified cash basis of accounting; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

You agree to assume all management responsibilities for financial statement preparation services and the following nonattest services we will provide:

- Preparation of the financial statements and related notes
- Preparation of the depreciation/amortization schedules

You also agree to oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

The audit documentation for this engagement is the property of Lewis, Poe, Moeller, Gunderson & Roberts, LLC and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the State of Oregon or its designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Lewis, Poe, Moeller, Gunderson & Roberts, LLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the State of Oregon or its designee. The State of Oregon or its designee may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

We expect to begin our audit on approximately September 11, 2017 and to issue our reports no later than December 31, 2017. Michael Poe and Chelsea Hewitt are the engagement partners and are responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fee for these services will be $12,450. These fees are contingent on the City not adding any new services, and no new accounting or auditing standards that increase audit effort. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

You have requested that we provide you with a copy of our most recent external peer review report and any subsequent reports received during the contract period. Accordingly, our 2016 peer review report accompanies this letter.

We appreciate the opportunity to be of service to City of Elgin, Oregon and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC

Michael R. Poe

Michael Poe, CPA
Owner/Member

RESPONSE:

This letter correctly sets forth the understanding of City of Elgin, Oregon.

Management signature: Brent Ehl
Title: Administrator
Date: 7/12/17

Governance signature: _____
Title: MAYOR
Date: 7/12/17

R&B
READ & BOSE, PC
CERTIFIED PUBLIC ACCOUNTANTS

System Review Report

To the Members of
Lewis, Poe, Moeller, Gunderson & Roberts, LLC
and the Peer Review Committee of the Oregon Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Lewis, Poe, Moeller, Gunderson & Roberts, LLC (the firm) in effect for the year ended March 31, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and an audit of an employee benefit plan.

In our opinion, the system of quality control for the accounting and auditing practice of Lewis, Poe, Moeller, Gunderson & Roberts, LLC in effect for the year ended March 31, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail.* Lewis, Poe, Moeller, Gunderson & Roberts, LLC has received a peer review rating of *pass.*

Read & Bose, PC

May 11, 2016